

## HOUSE COMMITTEE GETS PROTEST ON MUNITION TAX PLAN

Du Pont Company Lodges Vigorous Objection With Ways and Means Committee.

SAYS THAT OTHERS ESCAPE

Charges Discrimination Against Explosive Makers and Says Business Is But Temporary.

In a letter to members of the House Committee on Ways and Means, the du Pont company, powder makers to the belligerent countries of Europe, present the "other side" of the Democratic proposal to tax heavily the production of munitions of war.

"Hearings were held by the House committee before it reported the emergency revenue bill two weeks ago. The du Pont company now presents arguments that the bill discriminates against the making of explosives.

It is claimed that the bill means double taxation for the munitions makers—because they pay an income or corporation tax on net income and a special munitions tax on gross receipts.

**Point to Others.**  
The argument is also advanced that manufacturers of other articles that have been exported in large quantities and at high prices escape special taxation, the munitions makers being singled out in casting about for a levy on "war orders."

For instance, the du Pont company says that millions of dollars' worth of automobiles, aeroplanes and parts, rubber and woolen goods have gone to the belligerents, but there has been no proposal to tax this class of war trade.

While admitting that munitions makers have had good contracts and dividends, attention is called to the temporary nature of the traffic and the vast improvements that have been made at a heavy expense to meet the demands. The letter from the du Pont company reads:

**Text of Letter.**  
"Claude Kitchen, Chairman, Ways and Means Committee, United States House of Representatives:

"Dear Sir:  
"The du Pont Company desires to submit to the Ways and Means Committee, House of Representatives, and to other members of Congress, certain facts bearing on the manufacture of 'gunpowder and other explosives,' taxation on which is provided in H. R. 11,774.

"We regret that we did not have an opportunity to be heard before this bill was framed, and, in addition, we regret that any suggestion volunteered might be misconstrued. However, the proposed tax is of vital interest to this company and the 60,000 men now in our employ that we feel justified in sending you this communication.

"This bill makes the du Pont Company and other manufacturers of explosives the subjects of double taxation—that is, it places a tax on net income and on gross receipts.

**Points Out Discrimination.**  
"The bill discriminates against the manufacturers of explosives, singling out their industry for drastic treatment amounting to penalization, while others engaged in the manufacture of munitions of war and making equal greater profits are permitted to go free. For example:

"Auto trucks and passenger automobiles to the value of \$12,000,000.  
"Aeroplanes and parts.....\$7,500,000.  
"Motorcycles.....\$4,162,000.  
"Rubber, including automobile tires.....\$11,800,000.  
"Woolen goods.....\$70,000,000.

**No Great Part of Exports.**  
"Imposing as these figures are, they involve no great part of the nation's exports and a trifling part of its total profits attributable to the war. There could be added to the list such articles as canned meats, army rations of various kinds, shoes, harness, saddles, blankets, kerosene, gasoline, acids, alcohol, locomotives, parts of submarines, range-finders, stamped metal, military equipment, awards, bayonets, bromine and other military gases, barbed wire and other products of iron and steel.

"Indeed the list would include the products of almost every line of effort and industry. While we would not advocate a tax on the gross receipts of the nation, your attention is called to the fact that more than the value of \$128,572,000 and mules to the value of \$1,186,000 have been exported for military purposes.

"The bill requires the payment of 8 per cent tax on large sales. This leaves a profit too small for the risks of explosive manufacturers. If 10 per cent is the maximum, no one can afford to take the risk of the minimum. This 10 per cent must be a maximum in many cases, if not in all, all the profits above that amount are retained by the Government until a certain percentage of profits is realized, depending on the relation of sales to investment.

**If Sales Are Double.**  
"Thus if the sales of a corporation are double in value the manufacturing investment, 36 per cent must be earned before the company is allowed to retain more than 10 per cent. If the gross sales equal three times the value of the manufacturing plant, 34 per cent must be earned on capital invested in order to produce returns beyond the 10 per cent allowance of the bill.

"In other words, if the sales are dou-

## EXPERTS ON SUBMARINES



J. E. and GEORGE M. WILLIAMSON.

ble the plant value, the Government will receive 60 per cent of the total profits when the earnings are 26 per cent on the investment; and if the sales are three times the value of the investment, the Government will receive 70 per cent of the profits if the investment yields 34 per cent, and in no case will the manufacturer receive more than 10 per cent on his investment.

"Why should 'gunpowder and other explosives' be singled out for discriminating, burdensome taxation even as compared with other materials classified 'war munitions' on which the bill provides taxation? This is to say, why should a dollar received from gunpowder, or some other explosive, bear a tax of 8 per cent, while a dollar received from the gun that burns this gunpowder bears a tax of only 5 per cent, and the copper for shell cases but 3 per cent?

**Copper Value Doubled.**  
"The value of the last named commodity (copper) has more than doubled since the outbreak of the war, with no material increase in the cost of production; whereas, the raw materials entering into 'gunpowder and other explosives' have advanced in some instances as much as 2,000 per cent.

"For example, short-fiber cotton has advanced from 2 cents to 8 cents per pound; toulou from 20 cents to \$4.00 per gallon; fuming sulphuric acid from \$15 to \$160 per ton. Meanwhile there has been a constant reduction in the price of smokeless powder due to competition and market conditions; present prices having fallen below the level that obtained before the war. The maximum price reached at no time a 20 per cent advance over previous prices for foreign business.

"To make possible the production of explosives to meet the unusual demands, large sums have been invested in construction and equipment, the intrinsic value of which is maintained only in proportion to the new thereof. This represents capital invested largely from proceeds of munition sales and cannot be construed as legitimate taxable profits for reasons of depreciation of value as above noted. To the extent that future markets do not permit of the operation of these extensive plants, their intrinsic value is that of scrap only.

**Would Mean Disaster.**  
"The retroactive feature of this bill would ordinarily mean absolute disaster to the manufacturer of 'gunpowder and other explosives.'

"The foreign business that came to us was embraced in many orders representing 180 separate and distinct contracts. Most of these contracts have been completed, the money paid and distributed; some of it to stockholders, much of it being invested in other industries. Many of the stockholders who were the beneficiaries of this advance have disposed of their holdings.

"When these contracts were made, no such expense item as this was considered in fixing the price of our product. It is impossible now to distribute in any manner this additional burden, compelling the customer to bear his share of the loss. The original stockholder to assume his part.

"To force the stockholders of today to bear the price of our product, \$20 or more per share of \$100, which should have been visited on the stockholders of months ago must impress upon them an inequitable and indefensible burden.

"Moreover we have no means of protection against this added burden in contracts which were made and which we are bound to carry out in the future.

"This tax, if imposed upon us may prevent us from taking further business of this character.

"This will mean the inevitable discharge of many employees from the service of the company. The total roll now aggregating approximately 60,000 must then be reduced to the five or six thousand necessary to operate the commercial business of the United States.

"We had expected to continue our maximum manufacturing activity as long as this war lasted, but the provisions of the pending bill make this an undesirable business risk.

"Gunpowder, which is the chief ingredient entering into the manufacture of smokeless powder, and a material ex-

ceedingly sensitive as an explosive, will come within the classification of 'other explosives.' This tax on gunpowder will prove burdensome to a number of important domestic industries to which it is essential in the products they manufacture.

**Have Enjoyed Prosperity.**  
"We admit that the manufacturers of 'gunpowder and other explosives' have enjoyed a period of exceptional prosperity during the past eighteen months, but that the net results accruing have justified Congress in placing upon them no such burden of taxation as is contemplated by this bill.

"While we have received what might appear as high prices for our products, we have been forced to meet unusual expenses. When this foreign crisis came, it found the military explosive capacity of approximately 10,000,000 pounds per annum. To meet the demands made upon us necessitated our multiplying this capacity many times, all preparation being made under duress and regardless of cost.

"At the threshold of this undertaking, to insure harmony of action and attract labor, we advanced the wage scale to a standard never before known in explosives industry. At the same time we gave notice of a 20 per cent bonus to all employees, and, in addition, placed every plant under our jurisdiction on an eight-hour basis. The unusual conditions compelled us to go to great expense, including the maintenance of a way as to protect them from destruction, illuminating adjoining territory, and maintaining a guard system comparable only to a standing army.

**Prices Went Up.**  
"From the date of the first contract, we were forced to face an ever-ascending scale of prices on raw materials; nor were we ever permitted to forget the fact that when the war was over, the buildings erected and the machinery placed, representing millions of dollars, would stand for little or nothing in the long run.

"We fear that many of the features noted above have not been taken into consideration before deciding to impose this tax. We have ever responded cheerfully to any taxation levied by our Government, but when such action is taken without regard to the needs of our business, singling us out as a specific object of penalization, we feel that we are in duty bound to protest.

"In concluding our remarks on the particular military explosives which are likely to be taxed out of existence have contributed to the revival of other industry, toward the revival of trade in this country.

"The du Pont Company alone has absorbed nearly 1,000,000 bales of short-fiber cotton formerly of little value and has paid handsome prices therefor, greatly to the advantage of the Southern States. It has paid directly in wages alone in the manufacture of military explosives in the last year and a half about \$4,000,000, and has probably been indirectly responsible for the expenditure of a greater amount for the manufacture of explosives powder and high explosives in case of war, which previously was never dreamed of. All this has been done without the Government contributing a dollar of expense.

"There can be no 'preparedness' without 'gunpowder and other explosives.' In a broad and liberal scheme of 'preparedness,' can Congress take chances on killing by taxation the industries without which there can be no 'preparedness'?

Very respectfully,  
E. I. DU PONT DE NEMOURS & CO.,  
P. S. DU PONT,  
President."

**Suit Against Oil Men.**

ST. LOUIS, July 20.—Suit for \$2,500,000 against John I. Minkler, of St. Louis, and eight Oklahoma oil corporations was brought in the circuit court yesterday by M. S. Isherwood and E. C. Mathews, brokers, of Kansas City. The suit is for commission claimed for the recent transfer of oil properties in a deal which involved \$16,000,000.

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## TELLS HOW U-BOAT CAN GO OUT SAFELY

Submarine Expert Thinks She Could Follow in Wake of Liner.

A picture of the German super-submarine passing out to sea under the British Union Jack was drawn today by George Williamson, New York submarine expert and inventor of deep sea investigation devices.

Williamson's idea is as simple as A. B. C. It could be carried out, he says, in broad daylight. It is merely for the submarine to follow, partially submerged, in the wake of any outgoing steamer. The waves kicked up by a steamer's propeller would hide the submarine periscope and noise from the surface craft's engines.

Williamson believes, would prevent microphones on allied warships from detecting the presence of the submarine. "This is not a vague theory, but a practicable idea," declared Williamson, who is in Washington to obtain copyrights for his underwater photography rights in the West Indies. The Deutschland has the finest devices for registering sound known to science.

Koenig can submerge in Chesapeake bay or any point within the three-mile limit, wait until a freighter passes above him, and then quietly follow in her wake until she is well out at sea. He can even have an opportunity to pick up a tramp steamer flying the British flag.

Williamson, the use of an outgoing freighter as a pilot will enable the Deutschland's commander to steer by his starboard and port microphones without the use of the periscope.

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## TELLS OF SELLING POWDER TO ALLIES

Col. Buckner, Member of du Pont Firm, on the Witness Stand in Suit Over Stock.

WILMINGTON, Del., July 18.—Col. Edmund G. Buckner, the man who sells military powder to the allies for the du Pont Powder Company, was the principal witness for the defense today in the case to decide the ownership of the stock in the company formerly owned by T. Coleman du Pont.

At the conclusion of the session both sides rested and the court adjourned until tomorrow, when argument will be heard. It is expected that argument will end on Tuesday and then the question will be in the hands of Federal Judge J. Whitaker Thompson, of Philadelphia, for a decision.

The testimony of Colonel Buckner was interesting because he was closely questioned as to the war contracts, the risks incurred in making powder, and as to his own connection with the company. In answer to questions he said that he was a vice president and head of the sales department of military explosives, that he received a salary of \$25,000 a year, that in April, 1915, he received a check for \$250,000 from the company for his good work, and that this year he had received 2,500 shares of preferred stock and 50 shares of common stock, which he valued at \$15,000.

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\$60,000,000 in March, 1916, and that there had been deposited in advance payments \$25,000,000.

The plan of compelling the allies to put up 50 per cent of the amount of the contract had not been put into effect at that time, but later he took up the matter with representatives of the allies and convinced them that such a plan was necessary.

The company met with various difficulties, the witness said. Nails were found to have been driven into powder so that they leaked. Foreign substances were found in powder, and explosions occurred which could not be explained. The price of raw materials increased enormously. Acid which sold for \$11 a ton went to \$150 a ton, and there were other increases in proportion.

The witness said that he was not in any way interested in the du Pont Securities Company, but voted against the company purchasing its own stock and speculating in its own stock. In his opinion, had the company purchased the T. Coleman du Pont stock its position with the people who were buying powder would have been weakened.

Colonel Buckner said that when he learned that Pierre S. du Pont and his associates had purchased the T. Coleman du Pont stock he was glad, because he felt that the stock would remain in friendly hands.

The witness was asked concerning the deposit with J. P. Morgan & Co., and said that he had been in favor of it and had recommended that it be increased because he "wished to be nice to the man who was buying powder."

John A. Montgomery, the insurance manager for the company, was called and testified that the company only